October 28, 2005

Barbara Z. Sweeney
Office of the Corporate Secretary
NASD
1735 K Street, NW
Washington, DC 20006-1506

Re: Comment on Notice to Members 05-61: Realignment of the Trading Activity Fee (TAF)

Dear Ms. Sweeney:

The Financial Information Forum (FIF) welcomes the opportunity to comment on the proposed changes to the TAF. FIF (www.fif.com) was formed in 1996 to provide a centralized source of information regarding events and issues that affect the securities processing and market data communities. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

Our FIF Service Bureau Committee was formed to address the implementation of industry changes from a multi-client perspective. Given that many U.S. broker/dealer firms are using service bureaus for back office processing and order routing services, it is important to consider these entities when designing and implementing rules or processes that impact these functions. FIF’s roster of U.S. securities processing vendors includes Automatic Data Processing (ADP), ADP/SIS, Computer Research Inc. (CRI), Comprehensive Software Systems (CSS), GL/Davidge, SunGard Trading Systems/BRASS, SunGard Securities Processing/Phase 3, and Thomson BETA Systems.

Implementing the TAF realignment will require a substantial development effort that may outweigh the realizable benefits of distributing regulatory costs across a wider range of participants. Given that since the initial TAF implementation on October 1, 2002, there have been several modifications to the TAF on May 22, 2003\(^1\) and January 22, 2004,\(^2\) FIF urges NASD to consider implementation alternatives with a lower operational impact on member firms.

Under the proposed definition of TAF-eligible, previously generated TAF programming will not be re-usable and new development will be required for those firms that have already invested significant resources in TAF programming as well as those firms that previously have been exempt from TAF. Since the changes outlined amount to a complete re-write of existing business rules to calculate TAF, FIF believes the cost for all firms implementing the TAF realignment will be roughly equal to what has already been spent on TAF.

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\(^{1}\) TAF on options only when NASD is the designated options examining authority (DOEA)

\(^{2}\) TAF expanded to include fixed income transactions including charging TAF on RTRS-eligible municipals and charging TAF on TRACE-eligible corporate bonds
implementation to date. FIF estimates this cost to be, on average, an excess of 125 man days totaling more than $115,000.

The level of granularity being proposed for calculating TAF requires firms to consider the capacity under which a transaction occurred (e.g., principal, riskless principal, etc.) and covers both buys and sells. No prior TAF fee or other regulatory fee incorporates this level of complexity.

If realigning TAF merits the costs outlined, the FIF Service Bureau Committee recommends allowing at least one year for implementation given the magnitude of the change in assessing implementation time and the other regulatory implementations that are currently in development (e.g., NASD OATS Phase 3, Regulation NMS, etc.).

The service bureaus of the FIF Service Bureau Committee are committed to assisting their clients in achieving compliance with SRO and SEC regulations. While the FIF Service Bureau Committee does not have a position on the potential benefits of realigning the TAF, we believe that the costs will ultimately impact NASD member firms and their clients.

In closing, we ask NASD to be mindful that the proposed changes will result in significant additional development and operational costs and that adequate time will be required for firms to achieve compliance with the proposed TAF realignment.

Sincerely,

Bob Linville, ADP/SIS
Service Bureau Committee Co-Chair

Deborah Mittelman, SunGard
Service Bureau Committee Co-Chair

W. Leo McBlain
Chairman, Financial Information Forum

Manisha Kulkarni
Executive Director, Financial Information